

February 2005



North Dakota REV-E-NEWS

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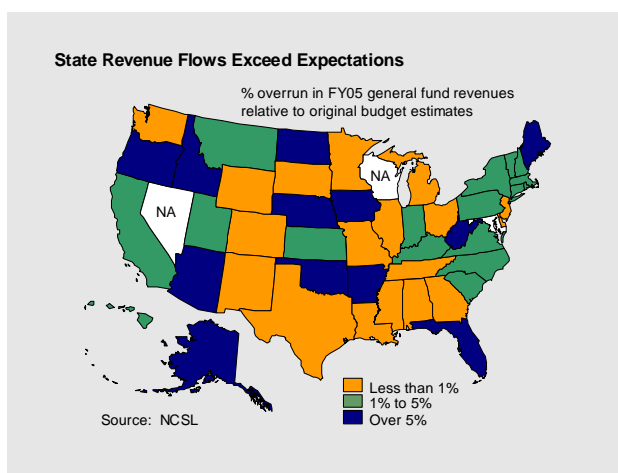
At the national level, the economy continues to provide encouraging signs of growth. Real gross domestic product, a broad measure of national economic activity, is expanding at a 4 percent annualized rate, as reported by Economy.com. Growth is expected to slow somewhat during 2005, but still remain at around 3 percent. Factors contributing to the slowdown in GDP growth are moderating growth in consumer, investment, and federal government spending.

Economy.com is predicting a moderation in oil prices by spring as demand slows due to the winter heating season coming to an end and the federal government filling the Strategic Petroleum Reserve. Another

factor that could significantly impact oil prices is a reduction in the risk premium, currently estimated as high as \$15 per barrel.

The North Dakota economy continues to exhibit strong growth as well, as reflected in state general fund revenues. January revenues exceeded the original legislative forecast by \$7.6 million. Actual revenues exceeded the November 2004 executive revenue forecast by \$13.9 million.

The following map, published by *Economy.com*, indicates that North Dakota is one of only a few states experiencing fiscal year 2005 revenue growth that is exceeding original expectations by more than 5 percent.



Oil Activity

December oil production increased nearly 1,400 barrels per day, to 92,500 barrels. Drilling permit activity remained strong with 31 permits being issued. The average price for North Dakota crude declined slightly in December to \$38 per barrel from the average November price of \$42 per barrel. However, prices are on the rise again and are currently back at around \$42 per barrel. The current rig count is 14, up 3 from the same time last year.

Perm Oil Tax Trust Fund

North Dakota Century Code Section 57-51.1-07.2 establishes the permanent oil tax trust fund and provides that at the end of each biennium, all oil taxes collected and deposited in the general fund in excess of \$71 million must be transferred to that fund. The \$71 million threshold was achieved in December 2004. In December, \$3.8 million of oil tax collections were reserved for transfer to the permanent oil tax trust fund. In January, an additional \$5.1 million was reserved for transfer, bringing the total to \$8.9 million.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
January 2005

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 Leg. Forecast	Actual	Variance	Percent	March 2003 Leg. Forecast	Actual	Variance	Percent
Sales Tax	33,312,000	42,994,851	9,682,851	29.1%	532,445,000	568,869,917	36,424,917	6.8%
Motor Vehicle Excise Tax	5,633,000	5,180,431	(452,569)	-8.0%	100,659,000	101,917,089	1,258,089	1.2%
Individual Income Tax	34,943,000	34,394,854	(548,146)	-1.6%	333,798,000	340,094,342	6,296,342	1.9%
Corporate Income Tax	4,025,000	3,854,877	(170,123)	-4.2%	59,018,000	61,669,002	2,651,002	4.5%
Insurance Premium Tax	200,000	19,701	(180,299)	-90.1%	37,262,000	39,266,769	2,004,769	5.4%
Financial Institutions Tax	80,000	163,543	83,543	104.4%	2,680,000	2,177,790	(502,210)	-18.7%
Oil & Gas Production Tax*	1,736,000		(1,736,000)	-100.0%	34,605,000	45,534,044	10,929,044	31.6%
Gaming Tax	900,000	694,089	(205,911)	-22.9%	18,378,000	16,444,578	(1,933,422)	-10.5%
Lottery					280,000	1,432,434	1,152,434	411.6%
Interest Income	446,000	143,828	(302,172)	-67.8%	8,774,000	3,700,971	(5,073,029)	-57.8%
Oil Extraction Tax*	1,172,000		(1,172,000)	-100.0%	23,424,000	25,465,956	2,041,956	8.7%
Cigarette & Tobacco Tax	1,338,000	1,749,532	411,532	30.8%	29,530,000	31,761,193	2,231,193	7.6%
Departmental Collections	4,582,500	6,462,078	1,879,578	41.0%	44,566,609	52,151,962	7,585,353	17.0%
Wholesale Liquor Tax	494,000	543,042	49,042	9.9%	9,328,000	9,555,493	227,493	2.4%
Coal Conversion Tax	2,093,000	2,058,023	(34,978)	-1.7%	37,856,000	38,095,181	239,181	0.6%
Mineral Leasing Fees	300,000	691,727	391,727	130.6%	3,615,000	6,265,722	2,650,722	73.3%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	174,525	174,525		0.0%	1,221,675	1,221,675		0.0%
Other Transfers	17,911,035	17,778,720	(132,315)	-0.7%	80,580,004	80,905,364	325,360	0.4%
Total	109,340,060	116,903,822	7,563,762	6.9%	1,388,020,288	1,456,529,481	68,509,193	4.9%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief -Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	109,340,060	116,903,822	7,563,762	6.9%	1,388,020,288	1,512,986,062	124,965,774	9.0%

* Oil and gas production and oil extraction tax collections totaled \$5.1 million in January. Because the \$71.0 million statutory cap for the 2003-05 biennium has been attained, all the January collections will be reserved for the permanent oil tax trust fund. A total of \$8.9 million, which includes \$3.8 million from the December collections is now on reserve for deposit into the permanent oil tax trust fund at the end of the 2003-05 biennium.

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
January 2005

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	January 2003	January 2005	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	31,377,648	42,994,851	11,617,203	37.0%	479,779,023	568,869,917	89,090,893	18.6%
Motor Vehicle Excise Tax	5,225,787	5,180,431	(45,356)	-0.9%	90,218,281	101,917,089	11,698,808	13.0%
Individual Income Tax	32,738,064	34,394,854	1,656,790	5.1%	275,978,971	340,094,342	64,115,371	23.2%
Corporate Income Tax	3,199,063	3,854,877	655,813	20.5%	53,287,723	61,669,002	8,381,280	15.7%
Insurance Premium Tax	4,478	19,701	15,223	340.0%	31,918,143	39,266,769	7,348,626	23.0%
Financial Institutions Tax	71,974	163,543	91,569	127.2%	2,755,448	2,177,790	(577,658)	-21.0%
Oil & Gas Production Tax	2,475,373	-	(2,475,373)	-100.0%	30,619,065	45,534,044	14,914,979	48.7%
Gaming Tax	1,274,195	694,089	(580,106)	-45.5%	20,384,898	16,444,578	(3,940,319)	-19.3%
Lottery	-	-	-		-	1,432,434	1,432,434	100.0%
Interest Income	11,704	143,828	132,124	1128.9%	6,493,033	3,700,971	(2,792,062)	-43.0%
Oil Extraction Tax	1,190,637	-	(1,190,637)	-100.0%	16,942,931	25,465,956	8,523,025	50.3%
Cigarette & Tobacco Tax	1,429,757	1,749,532	319,775	22.4%	30,421,682	31,761,193	1,339,511	4.4%
Departmental Collections	4,289,242	6,462,078	2,172,836	50.7%	45,072,172	52,151,962	7,079,790	15.7%
Wholesale Liquor Tax	544,775	543,042	(1,733)	-0.3%	8,403,658	9,555,493	1,151,834	13.7%
Coal Conversion Tax	2,111,867	2,058,023	(53,845)	-2.5%	35,388,926	38,095,181	2,706,255	7.6%
Mineral Leasing Fees	407,593	691,727	284,135	69.7%	4,760,076	6,265,722	1,505,646	31.6%
Bank of North Dakota-Transfer	-	-	-		45,000,000	30,000,000	(15,000,000)	-33.3%
State Mill & Elevator-Transfer	-	-	-		-	-	-	
Gas Tax Admin-Transfer	170,424	174,525	4,101	2.4%	1,022,544	1,221,675	199,131	19.5%
Other Transfers	18,733,940	17,778,720	(955,220)	-5.1%	84,440	80,905,364	80,820,924	100.0%
Total	105,256,523	116,903,822	11,647,299	11.1%	1,178,531,012	1,456,529,481	277,998,469	23.6%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief - Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	105,256,523	116,903,822	11,647,299	11.1%	1,178,531,012	1,512,986,062	334,455,050	28.4%

* Oil and gas production and oil extraction tax collections totaled \$5.1 million in January. December 2003 biennium-to-date collections to exceeded \$71.0 million, resulting in all remaining collections being deposited in the permanent oil tax trust fund. As of January 2005, the amount that has been reserved for transfer to the permanent oil tax trust fund totals \$8.9 million.

Revenue Variances

January general fund revenues exceeded the 2003 legislative forecast by \$7.6 million for the month, \$68.5 million for the biennium to date. In addition, the state has received \$56.5 million in federal fiscal relief payments that were deposited in the general fund, bringing the total biennium to date variance to \$125.0 million. Revenue collections also continue to exceed the more recent executive revenue forecast. Major variances include the following:

Sales tax collections exceeded the legislative forecast by \$9.7 million. A portion of this variance is due to the timing of a large electronic payment that, if filed traditionally, would have been posted to February. The remainder of the variance is attributable to increases in taxable sales and purchases.

Comments or Questions???

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Motor vehicle excise tax collections fell short of projections by approximately \$450,000, but still exceed the biennium to date forecast by \$1.3 million.

Individual income tax collections fell short of the monthly forecast by approximately \$550,000, but still exceed the biennium to date forecast by \$6.3 million.

Oil and gas taxes totaled \$5.1 million. However, pursuant to NDCC Section 57-51.1-07.2, all oil and gas taxes collected in excess of \$71 million must be transferred to the permanent oil tax trust fund at the end of the biennium. The \$71 million threshold was reached in December. Consequently, the entire amount collected in January has been reserved for transfer to the permanent oil tax trust fund.

Departmental collections exceeded the legislative forecast by \$1.9 million as a result of timing issues relating primarily to excess telecommunications taxes collected and originally anticipated to be deposited in March 2005.

